



Office Market Update Greater Los Angeles

FIRST QUARTER 2013

Overview

The office market in the Greater Los Angeles area lost ground in the first quarter 2013, and tenants kept the upper hand in office rent negotiations. Even though conditions improved slightly for landlords in certain sectors of the market, the overall market recorded negative net absorption and the vacancy rate inched up also. Technology, media and creative-sector tenants continued to drive the leasing activity while the government sector continued to lose more jobs and sequestration concerns remain for additional cuts in government jobs in the future.

Absorption

Net absorption for the Greater Los Angeles office market was negative (477,822) square feet in the first quarter 2013, compared to a positive 496,930 square feet in the fourth quarter 2012. The Class-A office market recorded net absorption of negative (302,357) square feet, Class-B was negative (129,140) square feet, and Class-C was negative (46,325) square feet.

Los Angeles Office Market Snapshot

Market	# Buildings	Total RBA SF	Total Vacancy SF	Vacancy Rate	YTD Net Absorption	Under Construction	Quoted Rates
Antelope Valley	359	3,770,610	403,560	10.7%	8,073	0	\$1.56
Burbank/Glendale/Pasadena	3,052	55,668,537	5,881,618	10.6%	-106,339	62,200	\$2.44
Downtown Los Angeles	685	68,603,683	8,890,840	13.0%	60,848	0	\$2.53
Mid-Cities	982	10,077,374	763,686	7.6%	14,144	6,590	\$1.73
Mid-Wilshire	1,601	40,274,737	4,807,287	11.9%	-111,551	513,619	\$2.16
San Fernando Valley	1,475	35,768,775	4,683,335	13.1%	-43,123	0	\$1.98
San Gabriel Valley	1,929	29,925,192	2,776,422	9.3%	32,882	0	\$1.78
Santa Clarita Valley	211	4,741,315	661,034	13.9%	-25,816	102,113	\$2.35
South Bay	2,353	62,771,522	9,775,492	15.6%	-80,575	952,860	\$1.97
Southeast Los Angeles	552	8,261,654	680,762	8.2%	-2,497	0	\$1.69
Ventura North	812	7,542,592	675,282	9.0%	728	0	\$1.83
Ventura South	1,002	21,387,038	3,331,730	15.6%	105,849	0	\$1.92
West Los Angeles	2,453	75,656,575	10,025,306	13.3%	-330,445	34,560	\$3.25
Totals	17,466	424,449,604	53,356,354	12.6%	-477,822	1,671,942	\$2.31

Vacancy

The overall office vacancy rate in the Greater Los Angeles market area rose to 12.6% at the end of the first quarter 2013, and was slightly higher than the 12.5% rate recorded a year ago. The Ventura South and the South Bay submarkets tied for the region's highest vacancy rate of 15.6%, followed by the Santa Clarita Valley submarket at 13.9%, and the West Los Angeles submarket at 13.3%. The Mid-Cities submarket had the lowest vacancy rate of 7.6%, followed by the Southeast Los Angeles submarket at 8.2%, and the Ventura North submarket at 9.0%.

Rental Rates

The average quoted asking rental rate for available office space, all classes, declined slightly to \$2.31 per square foot at the end of the first quarter 2013 in the Greater Los Angeles area. The average quoted rate within the Class-A sector was \$2.57 at the end of the first quarter, while Class-B rates stood at \$2.07, and Class-C rates at \$1.89. West Los Angeles had the highest asking rate of \$3.25 per square foot, while the Antelope Valley Los Angeles market had the lowest asking rate at \$1.56 per square foot.

Construction

During the first quarter 2013, thirteen buildings totaling 140,444 square feet were completed in the Greater Los Angeles market and there were 1,671,942 square feet of office space under construction. The largest project underway is the new Governor Deukmejian Courthouse Building in Long Beach, a 545,000-square-foot building with 99% of its space pre-leased.

Los Angeles Top Office Leases

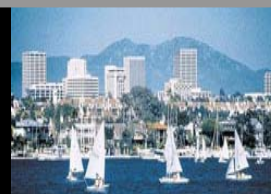
Address	Tenant	SF
333 S. Grand Ave., Greater Downtown	Gibson, Dunn & Crutcher (renewal)	268,000
One Wilshire Bldg., Greater Downtown	CoreSite Realty Corporation	128,384
604 Pine Ave., Long Beach	Molina Healthcare	120,000
8550 Balboa Blvd., Northridge	Regal Medical Group, Inc. (renewal & expansion)	96,000
9350 Flair Drive, Western SGV	Internal Revenue Service	73,800
3300 W. Riverside Drive, Burbank	New York Film Academy	55,550

Sales Activity

Tallying office building sales of 15,000 square feet or larger, Los Angeles office sales figures rose during the fourth quarter 2012 in terms of dollar volume compared to the third quarter 2012. In the fourth quarter, 54 office transactions closed with a total volume of \$1,665,805,371. The 54 buildings totaled 6,410,529 square feet and the average price equated to \$259.85 per square foot. That compares to 36 transactions totaling \$891,754,265 in the third quarter 2012. Cap rates have been lower in 2012, averaging 7.20% compared to the same period in 2011 when they averaged 7.80%. The largest transaction that occurred within the fourth quarter 2012 was the sale by RREEF America of the Wilshire Courtyard building located at 5700 Wilshire Blvd. in Mid-Wilshire to Tishman Speyer. The sale of this 1,002,766 square foot two-building property took place on 12/20/2012 for \$422,500,000 or approximately \$421.33 per square foot.



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